

# ***DIRECT ACCOUNT PROGRAM***

***NOVEMBER 18, 1993***

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**PERFORMANCE INCENTIVE PROGRAM (PIP)**  
**(Comparison)**

Allowance Per Case (Prior to Rollback)			Allowance Per Case (Current)		
List Price	\$871.50	(Wtg.)	List Price	\$671.40	
Terms	-28.32	(3.25%)	Terms	-21.82	(3.25%)
EFT	-4.36	(.5%)	EFT	-3.36	(.5%)
Winners	-6.00	(.69%)	PIP	-2.00	(.30%)
Net Cost	\$832.82		Net Cost	\$644.22	

Allowance Per Case:      \$38.68 (4.4%)

Allowance Per Case:      \$27.18 (4.0%)

**NOTE:**

- Carrying cost of inventory: -\$188.60
- Cash flow will also decrease
- If operating cost are not reduced, profits will be negatively impacted.

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## PERFORMANCE INCENTIVE PROGRAM

### PROGRAM PERFORMANCE REQUIREMENTS

- Do not make unauthorized invoice deductions.
- Maintain warehouse inventory of all RJR cigarette brand styles representing .25 market share and above.
- Accept all new RJR brand style(s) during the introductory period and have warehouse inventory available for sale to retail stores/consumers for six months from original purchase date.
- ✕ • Pick-up and return damaged and/or out-of-date RJR product from retail accounts you service when identified by an RJR representative.
- Provide RJR a fair opportunity to meet competitive programs offered by other cigarette manufacturers to you and your customers including any requested Distributor Assist Programs.
- Provide RJR products an opportunity for distribution to your customers that is equivalent to the opportunity provided to competing products.
- Promote and encourage the sale and distribution of RJR products at least to the same extent you promote competing products.
- ✕ • Provide a percentage of space on carton and package fixtures at least equal to RJR's share-of-market. (Required of direct customers who own and operate retail outlets)
- ◆ Vending Machine Operators, in addition to the above, must also:
  - Participate in an RJR annual vending placement payment contract and must accept all pack promotions as requested by your RJR representative.
  - Report quarterly vending placements via Tru-Check only.
  - Brands in vending machine must be approved by local RJR representative, and all non-paid vending point-of-sale must be RJR.

### PAYMENT

- Meet all Program Performance Requirements and must
- Participate in RJR's Electronic Funds Transfer Program (EFT) at a minimum rate of 75% based on dollar amount of purchases for the evaluation period will qualify for a \$2.00 per 12M\* case payment.

#### OR:

- Meet all Program Performance Requirements and must
- Maintain average pay days at 10 days or less, based on dollar amount of purchase for the evaluation period will qualify for a \$1.00 per 12M\* case payment..

### EVALUATION AND ELIGIBILITY

- Your RJR sales representative will determine if you satisfy the Program Performance Requirements to be eligible for payment.
- Your average payment terms of RJR invoices during each quarterly period will determine your rate of payment.

Note: In order to earn either \$2.00 or \$1.00 per 12M\* case, both satisfactory financial participation is required and applicable Program Performance Requirements must be met.

### PAYMENT PROCEDURE

- Payment will be based on the payment qualification rate times the total number of cases purchased and paid for during each program period.
- Payment will be made by check or credited to your bank account via E.F.T. as soon as practicable after each three month program period.

\* Per 12M shipping case  
6M cases paid at 50% rate.

## PERFORMANCE INCENTIVE PROGRAM

### RULES AND PROCEDURES

- All direct buying customers of R. J. Reynolds Tobacco Company may participate in the Performance Incentive Program.
- All direct buying customers will be reviewed on a quarterly basis for compliance with the Program Performance Requirements by an R. J. Reynolds Tobacco Company sales and credit representative. The evaluation and cigarette purchase calculation will be for each quarterly period.
- Allowances will be paid under the Performance Incentive Program to owners of record at the end of each program period. Payment will be made by check or credited to your bank account via E.F.T. as soon as practicable after each three month program period. In instances of ownership changes of all or part of a business, R. J. Reynolds Tobacco Company will pay monies only to the owners of record at the end of each program period.
- All allowances paid under the Performance Incentive Program will be calculated based on your invoiced purchases of all R. J. Reynolds Tobacco Company, Forsyth Tobacco Products, and RJR Macdonald cigarettes (per thousand cigarettes payment rate). Extended dating purchases will be included in case purchase calculation, but excluded from the determination of average pay days. The gratis portion of BSGSF or 100% gratis units are excluded from the program.
- Any program requirements that are not met during any program payment period, will eliminate the ship-to location from participation for such payment period.
- The current Electronic Funds Transfer (EFT) Program will remain as a separate program with separate requirements and benefits.
- At the end of each Performance Incentive Program period, allowances will be paid to customer after a pro rata portion of bad debts, collection expenses and credit administration costs have been deducted.
- The Share-of-Market data used in the program will be MSA for the applicable trading area or retail customer's actual share-of-market when determining appropriate merchandising space.
- All issues regarding qualifications, and achievement, or any other matters related to the Performance Incentive Program will be resolved by R. J. Reynolds Tobacco Company in its sole discretion. The decision of R. J. Reynolds Tobacco Company on such matters will be final.
- Any unauthorized deductions, or untimely payments of all RJR invoices, will eliminate a customer's participation in the program. No customer is permitted to deduct any part of its allowances or anticipated allowances off invoice under the Performance Incentive Program.
- No direct buying customer is eligible to receive or earn any payment under the Performance Incentive Program if it or an affiliated company has past-due invoices from R. J. Reynolds Tobacco Company or Forsyth Tobacco Products at the end of a program period.
- R. J. Reynolds Tobacco Company reserves the right to retain allowances due under the Performance Incentive Program as an offset for any outstanding invoices from R. J. Reynolds Tobacco Company or Forsyth Tobacco Products. R. J. Reynolds Tobacco Company also reserves the right to alter the Performance Incentive Program terms, conditions and allowances, and/or discontinue the program at any time.

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# PERFORMANCE INCENTIVE PROGRAM

## PROGRAM PERFORMANCE REQUIREMENTS REVIEW FORM

Program Period: Quarter \_\_\_\_\_ Year \_\_\_\_\_

Customer Name: \_\_\_\_\_

Account Number: \_\_\_\_\_

### Program Performance Requirements

- Did customer satisfy all Program Performance Requirements?

Check: Yes \_\_\_\_\_ No \_\_\_\_\_

- List requirement area(s) not achieved

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

R. J. Reynolds Tobacco Company

Signature \_\_\_\_\_

Title \_\_\_\_\_

Evaluation Date \_\_\_\_\_

Division \_\_\_\_\_

### Participant

Signature \_\_\_\_\_

Title \_\_\_\_\_

Evaluation Date \_\_\_\_\_

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## SALES INFORMATION PROGRAM

### Background:

In 1992 we embarked on "Account Specific Marketing" and attempted to determine by retail account the Top 25 brands in order to better determine retail specific opportunities.

In early 1993 we identified a need to have retail sales information on a weekly basis over a broad retail base to determine what was happening with our business and was immediately actionable. This data was to be used for internal analysis.

In addition, this weekly data could be placed in the AIM (Account Information Management) system to be used by Field Sales to develop Category Analysis Merchandising, and Distribution/Display/Promotion presentation opportunities.

### Strategy - 2nd Half 1993

- Identify direct buying customers and request they provide sales information to RJR on a weekly basis as one of three Promotion/Distribution criteria performance requirement to earn \$4.00 per case under Winners.

### Status

- We have had outstanding success in obtaining information.
- We learned a great deal about the accounts individual computer capabilities and issues that required resolution in order to obtain the information.
- Due to recent industry events we were forced to re-think all our direct account programs and develop/provide new programs for 1994.

### Next Steps:

- Present both our 1994 Performance Incentive Program and our 1994 Sales Information Program to the identified accounts provided.
- Presentations should be made as soon as possible so that we can gain a signed agreement for Sales Information in order to not interrupt the current information flow as we go out of 1993 and into 1994 with these accounts.

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Internal	Account Name	Offs w/ Mgr. OK	Field Manager	Telephone #	Presentation Date
LSS	McLane	X	Paul Letourneau - National Acct.	512-244-0103	11/17
	Eli Witt	X	Chris Huff - (2346)	407-889-5670	
BDH	Eby-Brown Companies	X	Mike Purviance - (6240)	708-323-1202	11/18 - 1:30 pm
BDH	NCC L.P.	X	Bill Roth - (2940)	703-941-9538	11/19 - 10:00 am
	Super Valu Stores, Inc.	X	Dennis Baker - (6340)	612-686-8052	
	Nash Finch Company	X	Dennis Baker - (6340)	612-686-8052	
	Core-Mark Dists., Inc.	X	Tony Kirchner - (5140)	510-275-1831	
	Melvin Sosnick Co.	X	Tony Kirchner - (5140)	510-275-1831	
	Safeway Stores, Inc.	X	Tony Kirchner - (5140)	510-275-1831	
BDH	Fleming Companies, Inc.	X	Ray Dedeaux - (4240)	405-787-5444	11/17 - 9:00 am
BDH	Scrivner, Inc.	X	Ray Dedeaux - (4240)	405-787-5444	
J.Drew	Kroger Company	X	John Drew - Internal - Jack Geeting - (6840)	3219 - 513-489-8616	11/22 - 2:00 pm
	Marsh Village Pantries (CSDC)	X	Jack Geeting - (6840)	513-489-8616	
	S. Abraham & Sons, Inc.	X	Dennis Bellinger - (6742)	517-694-3306	
	J. F. Walker Company, Inc.	X	Tom Soltys - (6740)	313-642-2370	11/23 - 11:30 am
	Spartan Stores, Inc.	X	Dennis Bellinger - (6742)	517-694-3306	
	L & L Jiroch	X	Dennis Bellinger - (6742)	517-694-3306	
	Grocery Supply Co., Inc. (Sulphur Sprg.)	X	Mike McCarrick - (4440)	214-644-2289	
	Winn Dixie Stores, Inc.	X	Ray Fox - (2244)	904-268-0230	
	Food Lion, Inc.	X	Pat Shehan - (2142)	7759	
	Albertson's Inc.	X	Debra Strong - (5340)	801-566-0836	
	H. T. Hackney Co.	X	John Swinea - (2440)	615-855-0485	
	Bosart Co.	X	Neal McCleary - (6844)	614-898-0895	
	Super Food Services, Inc.	X	Neal McCleary - (6844)	614-898-0895	
	Rite Aid Corp.	X	Curt Moser - (2942)	717-737-8349	
	Koninklijke Ahold NV - Corporate				
	-- Bi-Lo (Mauldin, SC)		Dave Gesmundo - (2144)	704-365-2995	
	-- First National (CT)	X	Mike Washo - (1540)	203-298-8487	
	-- First National (OH)	X	Roger Farmer - (1600)	716-634-3143	
	-- Tops Mkts. (Buffalo, NY)	X	Roger Farmer - (1600)	716-634-3143	
	Grocers Supply Co., Inc. (Houston)	X	Mike Sturm - (4540)	713-579-9890	
	Associated Wholesale Grocery, Inc.		Eric Maki - (4846)	913-492-6983	
	J. T. Davenport & Sons	X	Pat O'Mara - (2146)	919-876-4318	
	Minter-Wiseman Co., Inc.	X	Greg Palmer - (6344)	612-686-8054	
	Imperial Trading Co., Inc.		Steve Wadsworth - (4437)	504-733-1317	
BDH	F. A. Davis & Sons	X	Marcus Comer - (2922)	410-931-4828	11/19 PM
	Miller & Hartman, Inc.	X	Paul Gilotty - (1324)	215-926-1679	
	Old Dominion Tobacco Co.	X	Larry Stumpf - (2927)	804-490-1032	

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## SALES INFORMATION PROGRAM

- Listed below are identified issues you need to be aware of for selected accounts.
- If these issues are not resolved to RJR's satisfaction, these accounts will not have the opportunity to earn payment in 1994.
- Frank Diehl, the RJR Systems contact has been in communication with each respective account to attempt resolution.
- We are making you aware so that you can reiterate at time of presentation.

### ACCOUNTS

- Eli Witt

- Cannot process data being sent on 1/4" tape cartridges because it is created on NCR computers using ITX operating system software that is not IBM compatible. This situation exists with all locations except Ocala (5755330).

- Super Valu

14 of the Super Valu locations are not sending data in our requested format. They send sales and item master files each week, and an address file once a month. This makes twice as many tapes to handle, plus programming to match the files and create standard formatted records. To date the data files have been unreliable in both format and data content.

- McLane

Data not in requested format. Programming required to create standard formatted files. No dates in data to verify shipping period.

- Scrivner

Have not received any data from 6 locations:

-	Laurens, IA	3270030
-	East Peoria, IL	3034400
-	Warsaw, NC	4588500
-	Syracuse, NY	3734980
-	Altoona, PA	2763310

- Minter Weisman

Sending monthly data, not weekly. Only have July and August. Always late. May not be able to do weekly, but should be more current.

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